



# Technical Advisory Group Issue Paper

AGENDA ITEM: TAGCP11-05  
20 October 2020 – Online

## Feedback on the Draft Consultation Paper – Supplementary Information

Summary	The paper highlights the main areas of feedback on the Supplementary Information to the Consultation Paper
Purpose/Objective of the paper	This paper describes at a high level the most significant issues arising from the feedback from TAG and PAG members on the Supplementary information to the Consultation Paper and the proposed way forward. Detailed edits are included in a track change updated draft of this part of the Consultation Paper included as Annex A. A clean copy is provided as Annex B.
Other supporting items	TAGCP11-02, TAGCP11-03 and TAGCP11-04
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Actions for this meeting	<u>Comment</u> on the proposed way forward.

# Technical Advisory Group

## Review of draft of the Supplementary information: Issues raised

### 1. Background

- 1.1 TAGCP11-02, TAGCP11-03 and TAGCP11-04 have covered the general matters and issues raised with the Preface, Part 1 and Part 2 of the draft Consultation Paper that was provided to members of the Technical Advisory Group and Practitioner Advisory Group in July 2020 for internal review.
- 1.2 This paper focuses on the most significant issues raised with respect to the Supplementary information to the Consultation Paper. These were:
  - Supplementary Information: IFR4NPO Additional Project Information;
  - National and International financial reporting standards and guidance for NPOs; andAnalysis of international financial reporting frameworks against sector specific issues.
- 1.3 The PAG met to consider the proposed way forward on Thursday 24 September 2020. They were not presented with a full track change updated draft as this had not been finalised at the time of the meeting. Unfortunately, there was insufficient time in the meeting to cover the changes made to the Supplementary information in detail. An overview of the most significant changes was given verbally and PAG members were provided the opportunity to respond by email to the proposed way forward.

### 2. Overview of issues raised with Supplementary Information: IFR4NPO Additional Project Information

- 2.1 Describing NPOs – Several members raised the issue that the UN System of National Accounts (SNA) has specific NPO classifications and that although reference is made to SNA this is tangential and not enough is made of the potential usefulness of the SNA definition in describing NPOs. It is proposed that the content in Chapter 1 of Part 1 of the Consultation Paper be amended to

make greater reference to SNA, and the reason why it is not being directly applied, and this will also be reflected in the Supplementary Information.

- 2.2 Historical context – members questioned the use of Australia when citing a country with no non-profit specific standards. They noted that while Australia adopts a sector neutral approach, it does have guidance on voluntary non-exchange transaction and some standards that specifically reference non-profits. It is proposed that this example is reviewed and the options for the use of an alternative jurisdiction.
- 2.3 Project background – several members found the text in paragraph 1.8 ‘organisations operating both internationally and locally across borders’ confusing. By locally across borders the Consultation paper is referring to those organisations that are operating in a small geographic area which nevertheless is within two or more jurisdictions, such as an aid agencies providing services to a group in an area with porous borders between jurisdictions. It is proposed that text is added to clarify this point.
- 2.4 Project background – some members questioned the use of the term ‘double funding fraud’ in Chart 1.1. Project Context. They noted that it had not been introduced or explained elsewhere. It is proposed that this term is introduced and explained in the text above the Chart.
- 2.5 Developing the guidance – members noted that there was no discussion here or elsewhere in the Consultation Paper of the proposed process for updating the Guidance once it had been issued. They felt it would be useful to include something to provide readers with an idea of process so that they could weigh the overall proposed approach to the Guidance and its development. The process for updating the Guidance will be discussed in future stages of the project. It is therefore not proposed to make any changes to the Consultation Paper.

Question 1: What are the TAG’s views on the proposed way forward?

Question 2: Are there any other significant issues relating to Supplementary Information: IFR4NPO Additional Project Information that the project should consider?

3. Overview of issues raised with National and International financial reporting standards and guidance for NPOs

- 3.1 One member provided updates to the United States text in the National standards and guidance for NPOs section. It is proposed that this be reflect in full.
- 3.2 In addition, as noted in TAGCP11-04 Part 2, the Annexes from each of the issues papers will now be included in this supplementary information.

Question 3: What are the TAG's views on the proposed way forward?

Question 4: Are there any other significant issues relating to National and International financial reporting standards and guidance for NPOs that the project should consider?

4. Overview of issues raised with Analysis of international financial reporting frameworks against sector specific issues.

- 4.1 One member indicated that this section should note that whilst the focus in this Annex is on NPO sector specific issues the Guidance would be comprehensive and also provide financial reporting guidance in areas where a sector specific solution is not required. They also noted that it would be useful to further clarify that these are indicators of gap against some issues raised and not an exhaustive analysis. It is proposed that text is included in the introduction of this section to cover these two points.
- 4.2 A number of comments were made on some of the assessments and conclusions made for the international financial reporting frameworks against the sector specific issues. These assessments have been reviewed against the comments and it is proposed that amendments are made where appropriate.



Question 5: What are the TAG's views on the proposed way forward?

Question 6: Are there any other significant issues relating to the Analysis of international financial reporting frameworks against sector specific issues that the project should consider?

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